UNITED NATIONS

DP

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.
GENERAL

DP/CCF/MAS/1
30 June 1997

ORIGINAL: ENGLISH

Third regular session 1997
15-19 September 1997, New York
Item 6 of the provisional agenda
UNDP

UNDP: COUNTRY COOPERATION FRAMEWORKS AND RELATED MATTERS

FIRST COUNTRY COOPERATION FRAMEWORK FOR THE MARSHALL ISLANDS (1997-2001)

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97-17827 (E) 290797

INTRODUCTION

1. The first country cooperation framework (CCF) for the Marshall Islands, which covers the period 1997-2001, is the result of an ongoing consultative process between the Government and UNDP. The formal consultative process between UNDP and Government on the scope and nature of the CCF began during the December 1995 mid-term review of the first country programme. During the review, the Government was briefed on the upcoming changes in the programming process and the UNDP priorities for the next programming period, and preliminary discussions were held on thematic areas for the first CCF and participation in subregional programmes.

2. A major step in the formulation of the CCF was the preparation of the UNDP advisory note, through which UNDP provided the Government with its views on how its might best support national development efforts. The advisory note was prepared in consultation with Government, as well as non-governmental and private sector organizations. The consultative process occurred in the context of the Pacific Human Development Report (1994), the Suva Declaration on Sustainable Human Development in the Pacific, the Port Vila Declaration on Population and Sustainable Development, the Programmes of Action of the International Conference on Population and Development and the Global Conference on the Sustainable Development of Small Island Developing States and the Copenhagen Declaration on Social Development.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

The development context

3. The Marshall Islands comprises 34 atolls and low-lying coral islands, scattered across 2 million square kilometres of the North Pacific Ocean. It gained independence in 1986. Under the Compact of Free Association between the United States and the Marshall Islands, the agreement which governs the post-independence relationship between the Marshall Islands and the United States, the country receives budgetary and developmental assistance for a fifteen-year period. This assistance, which commenced at approximately $58 million per annum, will decline in three step-down phases before terminating in 2001.

4. The Marshall Islands enjoys a high per capita national income ($1,894 in 1995), 66 per cent of which is derived from Compact funding, while foreign assistance from all sources, including rent received for the Kwajalein Missile Range, represents 70 per cent of national income. The large inflow of foreign assistance, particularly Compact funds, has financed budget and trade deficits and allowed wages to increase to levels inconsistent with productivity, thus encouraging lifestyles that would be difficult to sustain from locally generated revenues.

5. With the third step-down in Compact funds occurring in 1997, together with a significant external debt and a rapidly growing population, there is a renewed

sense of urgency within the Government and heightened public awareness about the need to accelerate sustainable economic growth. Achieving growth will require a balanced budget, stable macroeconomic fundamentals, a less dominant role for the public sector, liberalization of the economy, and support to private sector investment.

Sustainable human development

6. According to the Pacific Human Development Report (1994), with a human development index value of 0.611, the Marshall Islands ranks seventh out of 13 countries in the Pacific. Worldwide, the Marshall Islands ranks among the lower third of mid-level countries. The Government is aware that it is most likely that the Marshall Islands will experience a sharp decline in income and in human development with the cessation of the Compact. There will, therefore, be a need to anticipate the impact of declining incomes on the population and to devise policies to protect the poor and the vulnerable.

Population

7. The population of the Marshall Islands was estimated at 55,600 in 1995. The population growth rate, although slightly reduced since 1988, is still an unsustainable 3.6 per cent per annum. Changing expectations and economic stagnation in the outer islands have prompted an internal redistribution of the population, with nearly two thirds of the people now residing in Majuro and Ebeye, where severe overcrowding has resulted in environmental degradation and a deteriorating standard of living.

Poverty and vulnerability

8. Government data indicate inequitable income distribution. These disparities are compounded by deteriorating health and nutrition conditions, inadequate education and housing, and significant environmental degradation. The infant mortality rate is increasing and life expectancy is decreasing (from 66 years in 1980 to 60 years in 1994). Malnutrition has become a serious problem, including vitamin A deficiency in children, and the incidence of lifestyle-related health problems such as diabetes, heart disease, and sexually transmitted diseases, including HIV/AIDS, is increasing. Published literacy rates, estimated at 91 per cent, obscure substandard educational conditions, characterized by high drop-out rates and low achievement levels, preventing many young people from easily making the transition from school to work. There are also major skill gaps in the local workforce, in the professional, managerial, technical, and occupational trade categories.

Employment and sustainable livelihoods

9. Official unemployment is estimated at 16 per cent nationwide and at 22 per cent in Majuro, and is significantly higher among youth. With 47 per cent of the population under the age of 15 years, the labour force will grow rapidly over the next 20 years. Opportunities for job creation on the basis of local resources exist in the areas of fisheries, agriculture and tourism. But constraints in these sectors need to be overcome, chief among them, the low level of human resource development.

Gender

10. Women lag significantly behind men in virtually every aspect of national political and economic life: they have less access to higher education; less control over their reproductive health; a smaller share of the job market, in which they are employed predominantly in subordinate and low-paying jobs; and only token representation in policy-making positions within the Government. Sensitive to the socio-economic and cultural problems affecting contemporary society, the Government of the Marshall Islands has proposed a number of initiatives to advance the position of women and strengthen their participation in development, to be implemented through the Office of Women's Affairs.

Environmental protection and regeneration

11. The physical environment of the Marshall Islands, low-lying atolls and coral islands, is particularly vulnerable to degradation. Population growth and urbanization are creating serious problems in the management of solid waste and water resources. With UNDP support, the Government is preparing its first Coastal Zone Management Plan for Majuro Atoll.

Governance

12. In the next five years, through a national priority programme, the country will be redefining and reorganizing governance for the post-compact era. Recognizing the seriousness of the situation, the Government has entered into a policy reform programme funded by the Asian Development Bank and a public sector improvement programme funded by UNDP. These complementary programmes aim to align government expenditure with domestic incomes, create an efficient public service, and facilitate private sector development.

II. RESULTS AND LESSONS OF PAST COOPERATION

13. External development assistance in the Marshall Islands is dominated by the inflow of funds from the Compact, other United States government programmes, and lease payments for the Kwajalein Missile Range. Bilateral development assistance from sources other than the United States is also significant, amounting to $42 million for the period 1991-1996. The Marshall Islands is a member of the South Pacific Commission and the Pacific Forum. In anticipation of independence, the Marshall Islands participated in a number of United Nations programmes, notably those sponsored by UNDP, the World Health Organization, the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF) and the Economic and Social Commission for Asia and the Pacific.

The role of UNDP

14. The first country programme for the Marshall Islands, which was formulated in 1991 for the period 1993-1996, concentrated on three programme areas: (a) employment and private sector development; (b) public sector and macroeconomic reform; and (c) sustainable resource management. There were two projects within the first programme area. First, a small-business advisory services project supported the establishment of a small business advisory unit

within the Ministry of Resources and Development, to provide technical assistance to existing or potential entrepreneurs. Complementary support for this project was provided under the subregional small-enterprise development project. Second, a vocational training project supported the development of the institutional and human resources capacities of the National Training Council to provide trade skills. In the second programme area, a public sector management improvement project focused on budgetary and personnel management reform. In the third programme area, a coastal zone management programme focused on the preparation of the Coastal Zone Management Plan for Majuro Atoll.

Lessons learned

15. During the mid-term review of the first country programme, the Government expressed satisfaction with the relevance, effectiveness and impact of UNDP cooperation. All programmes contributed to government priorities and were linked to the broader global goal of sustainable human development (SHD). While the first country programme came to a successful conclusion, experience suggests a need to formalize and strengthen aid coordination in the Marshall Islands. Coordination between the Government, UNDP, the Asian Development Bank and other donors through such mechanisms as the Consultative Group Meetings of Donors held in Manila, the Philippines, in December 1995 and October 1996 have been instrumental in ensuring better targeted utilization of external assistance to Marshall Islands. UNDP has also collaborated closely with partner Joint Consultative Group on Policy agencies, namely the United Nations Children's Fund and the United Nations Population Fund.

III. PROPOSED STRATEGY AND THEMATIC AREAS

16. The Government is under increasing pressure to strategically target diminishing Compact resources towards initiatives that will simultaneously: (a) enhance local revenue-generating capacities; (b) enhance efficiency in the public sector; (c) improve the standard of living of the population; and (d) prevent poverty. Through the national planning process, the National Population Policy, and the Consultative Group process, the Government has committed itself to the goal of SHD and has identified a number of key interventions compatible with emerging UNDP global priorities. Given the limited UNDP resources earmarked for the Marshall Islands for the period covered by the first CCF and the enormity of the task of economic transformation, the Government has identified a small number of strategic interventions in which UNDP cooperation would serve as a catalyst for building national capacity and mobilizing resources, and at the same time have a direct impact on the lives of the most vulnerable members of society.

17. In the period covered by the first CCF for the Marshall Islands, the Government and UNDP will cooperate in three thematic areas - sustainable livelihoods, governance and the environment.

18. It is envisaged that UNDP support will enhance the capacity of the people of the Marshall Islands to adjust to the post-Compact era and to become self-reliant through better management and utilization of human and natural resources. Communities will be mobilized and strengthened to establish

sustainable livelihoods. The overall impact of the activities under the first CCF would become apparent through improvements in SHD indicators.

A. Sustainable livelihoods

19. The sustainable livelihoods programme will have two closely related but distinct components: (a) formal employment; and (b) non-formal employment.

Formal employment

20. Under the first country programme for the Marshall Islands, UNDP resources were used to build national capacity for business advisory services and trade-related training. During the first CCF, UNDP will assist in broadening this focus to a more comprehensive and strategic approach to human resources development. The objectives will be: (a) to strengthen national capacities for human resources development policy formulation and planning; (b) to help to eliminate strategically important skills deficits in the labour force, thereby removing a major constraint to development; and (c) to ensure that people of the Marshall Islands have the skills necessary to benefit from the new jobs that may soon be created. In all interventions, particular attention will be given to increasing employment opportunities for women. A subcomponent of the programme will provide livelihood counselling to public servants who will be made redundant under the public sector reform programme.

21. The human resources development focus will help to establish a socio-economic environment that is more conducive to domestic and foreign investment, thereby stimulating job creation. Other interventions to enhance the role of the private sector will be incorporated within the governance programme (see paras. 25-26 below).

Non-formal employment

22. In this area, UNDP resources will be used to: (a) strengthen the capacities of the subsistence and non-formal economic sectors; (b) ensure appropriate linkages between the formal and non-formal economic sectors, including equitable access to credit, marketing and skills and entrepreneurship training; and (c) ensure the environmental and economic sustainability of the aforementioned activities.

23. Community mobilization, the provision of resource management advisory services at community and/or household levels, entrepreneurship training, and facilitating access of small-scale producers to marketing, credit, transportation and related services will be the main activities by which the objectives in the area of non-formal employment will be achieved. A targeted effort will be made to ensure the equitable representation of women in all these activities.

24. These efforts will be supported by a government initiative to develop a traditional skills-training institution in the outer islands, in order to upgrade rural production skills in agriculture, fisheries and handicrafts.

B. Governance

25. The Government has embarked on an ambitious Public Sector Reform Programme, with support from UNDP country-level and subregional programmes, the Asian Development Bank, and other external partners. UNDP is in an advantageous position to further support and complement the Government's initiatives by building on the process of carrying out an SHD situation analysis for policy formulation and implementation and supporting follow-up. This activity will have two main goals: (a) to strengthen the Government's policy analysis capacities, in order to minimize and mitigate negative social, cultural and environmental impacts arising from the reform process; and (b) to develop institutional capacity within the Marshall Islands to monitor the SHD.

26. The Government's Public Sector Reform Programme has resulted in a reduction in the number of ministries as well as in their restructuring. The need now exists for the development of new terms of reference, organizational structures, management procedures, job classifications and training, so that public servants can successfully carry out the responsibilities of their newly emerging roles. UNDP support will complement assistance already proposed from the Asian Development Bank.

C. Environment

27. In 1997, with funding from the Global Environment Facility, the Marshall Islands will prepare a National Biodiversity Strategy and Action Plan and a report as follow-up to the Convention on Biological Diversity. The Marshall Islands is one of nine Pacific Island countries participating in the preparation of a Strategic Action Programme for the Pacific Region to conserve and manage coastal and ocean resources sustainably, under international waters agreements. It will also benefit from the Pacific Island Climate Change Assistance Programme. UNDP will provide further support in the thematic area of environment under the Pacific Subregional Programme on Environment and Natural Resource Management.

28. The UNDP Pacific subregional programme will consist of four programme areas: (a) development management; (b) private sector development; (c) environment and natural resource management; and (d) human resource development. All of these programme areas are relevant to the three thematic areas of the first CCF for the Marshall Islands and will contribute to operationalizing the broader national SHD policy framework. Specific linkages between the subregional programmes and the country-specific programmes under the first CCF will be identified during the formulation of the programmes at both levels.

29. The Marshall Islands can benefit from other resources available to the Pacific subregion in the area of environmental management (e.g., Global Environment Facility and Capacity 21 resources), as well as from resources from the Poverty Strategy Initiative. The Government will be kept informed by UNDP of these and other potential sources of funding in specialized areas that can complement and extend CCF resources. The Government will consider cost-sharing UNDP-supported programmes.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation arrangements

30. The Marshall Islands has indicated its readiness to execute all future UNDP-supported programmes. There will be an emphasis on the employment of United Nations Volunteer specialists, building on their good performance in the Pacific. Although the Marshall Islands has had no experience with the technical cooperation among developing countries or Transfer of Knowledge through Expatriate Nationals modalities, efforts will be made to utilize the two mechanisms to the extent possible.

Monitoring and review

31. During the period covered by the first CCF UNDP will place greater emphasis on impact assessment. Baseline surveys will be used to collect information where it does not exist and both qualitative and quantitative indicators will be developed to establish benchmarks against which programme impact will be assessed.

32. The CCF will be monitored jointly by Government and UNDP, through monitoring visits by UNDP staff at least twice yearly. A triennial review of the CCF will be held to evaluate the programme.

Aid coordination

33. UNDP will work closely with the Government and other donors to enhance capacity for effective aid coordination, and will assist in developing and establishing the mechanisms and processes required to achieve that objective.

Resource mobilization

34. Resource targets for the period covered by the first CCF for the Marshall Islands are provided in the annex to the present document.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR THE MARSHALL ISLANDS (1997-2001)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	190	
TRAC 1.1.1	417	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	80	
Subtotal	687 [a]	
NON-CORE FUNDS		
Government cost-sharing	458	
Sustainable development funds	-	
Third-party cost-sharing	458	
Funds, trust funds and other	-	
Subtotal	916	
GRAND TOTAL	1 603 [a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.